

THE ARC OF GREATER NEW ORLEANS

**Financial Statements as of June 30, 2014 and 2013
and for the Years Then Ended
and Independent Auditors' Report**

THE ARC OF GREATER NEW ORLEANS

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Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Arc of Greater New Orleans
New Orleans, Louisiana

We have audited the accompanying financial statements of The Arc of Greater New Orleans (a nonprofit organization) (the Organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Gurtner Zuniga Abney, LLC

December 9, 2014
New Orleans, Louisiana

**THE ARC OF GREATER NEW ORLEANS
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 407,434	\$ 531,563
Accounts receivable	1,224,830	1,290,117
Prepaid expenses	90,569	60,097
Other current assets	<u>2,592</u>	<u>10,501</u>
Total current assets	1,725,425	1,892,278
PROPERTY AND EQUIPMENT, net	<u>1,352,628</u>	<u>1,018,527</u>
TOTAL ASSETS	<u>\$ 3,078,053</u>	<u>\$ 2,910,805</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 341,610	\$ 444,498
Current maturities of long-term debt	<u>75,732</u>	<u>55,291</u>
Total current liabilities	417,342	499,789
LONG-TERM DEBT, net of current maturities	568,535	361,029
COMMITMENTS AND CONTINGENCIES (NOTES A, B, J, M, AND N)	-	-
TOTAL LIABILITIES	985,877	860,818
 NET ASSETS		
Unrestricted	1,978,801	2,049,987
Temporarily restricted	<u>113,375</u>	<u>-</u>
Total net assets	<u>2,092,176</u>	<u>2,049,987</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,078,053</u>	<u>\$ 2,910,805</u>

See independent auditors' report and accompanying notes to financial statements.

THE ARC OF GREATER NEW ORLEANS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Support			
State grant income	\$ 422,228	\$ -	\$ 422,228
Local grant income	2,163	-	2,163
Contributions	742,778	-	742,778
Other:			
United Way allocations	62,929	-	62,929
Total support	1,230,098	-	1,230,098
Revenues			
Client fees	2,043,881	-	2,043,881
Medicaid	5,753,120	-	5,753,120
Group home	185,493	-	185,493
Interest income	1,456	-	1,456
Other income	320,254	113,375	433,629
Total revenues	8,304,204	113,375	8,417,579
Net assets released from restrictions	-	-	-
Total support and revenues	9,534,302	113,375	9,647,677
EXPENSES			
Program services			
Children's Services	560,811	-	560,811
Employment Services	181,193	-	181,193
Individual Options	1,341,872	-	1,341,872
Project H.E.L.P.	3,326,549	-	3,326,549
Operations Department	2,844,298	-	2,844,298
Family Service Coordination	316,645	-	316,645
Supporting services			
Management and general	991,954	-	991,954
Payments to affiliates	17,400	-	17,400
Fundraising	24,766	-	24,766
Total expenses	9,605,488	-	9,605,488
CHANGES IN NET ASSETS	(71,186)	113,375	42,189
NET ASSETS - Beginning of year	2,049,987	-	2,049,987
NET ASSETS - End of year	<u>\$ 1,978,801</u>	<u>\$ 113,375</u>	<u>\$ 2,092,176</u>

See independent auditors' report and accompanying notes to financial statements.

THE ARC OF GREATER NEW ORLEANS
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES			
Support			
State grant income	\$ 334,762	\$ -	\$ 334,762
Local grant income	60,063	-	60,063
Contributions	958,661	-	958,661
Other:			
United Way allocations	65,207	-	65,207
Total support	1,418,693	-	1,418,693
Revenues			
Client fees	3,165,821	-	3,165,821
Medicaid	5,475,433	-	5,475,433
Group home	174,846	-	174,846
Interest income	1,143	-	1,143
Other income	518,144	-	518,144
Total revenues	9,335,387	-	9,335,387
Net assets released from restrictions	-	-	-
Total support and revenues	10,754,080	-	10,754,080
EXPENSES			
Program services			
Children's Services	637,769	-	637,769
Employment Services	197,044	-	197,044
Individual Options	1,245,887	-	1,245,887
Project H.E.L.P.	3,306,431	-	3,306,431
Operations Department	3,979,517	-	3,979,517
Family Service Coordination	328,835	-	328,835
Supporting services			
Management and general	1,134,187	-	1,134,187
Payments to affiliates	17,400	-	17,400
Fundraising	6,490	-	6,490
Total expenses	10,853,560	-	10,853,560
CHANGES IN NET ASSETS	(99,480)	-	(99,480)
NET ASSETS - Beginning of year	2,149,467	-	2,149,467
NET ASSETS - End of year	<u>\$ 2,049,987</u>	<u>\$ -</u>	<u>\$ 2,049,987</u>

See independent auditors' report and accompanying notes to financial statements.

**THE ARC OF GREATER NEW ORLEANS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014**

	Program Services						Supporting Services			
	Children's Services	Employment Services	Individual Options	Project H.E.L.P.	Operations Department	Family Services Coordination	Management and General	Payments to Affiliates	Fundraising	Total
Salaries	\$ 364,294	\$ 127,583	\$ 654,964	\$ 2,700,781	\$ 1,504,219	\$ 132,747	\$ 500,866	\$ -	\$ -	\$ 5,985,454
Benefits	37,828	9,598	82,007	199,495	115,182	12,964	45,820	-	-	502,894
Payroll taxes	27,457	8,753	48,856	206,519	111,573	9,842	37,139	-	-	450,139
Professional services	1,038	5,506	2,069	6,229	83,199	6,579	43,832	-	-	148,452
Supplies	70,822	2,542	4,097	5,804	178,894	121,004	11,195	-	-	394,358
Advertising	-	-	-	-	2,847	-	5,996	-	-	8,843
Telephone	2,236	3,171	9,270	10,449	15,061	3,051	8,045	-	-	51,283
Postage	35	119	121	711	9,026	1,219	4,060	-	-	15,291
Occupancy	29,587	10,028	323,089	112,780	309,046	16,969	53,821	-	-	855,320
Repairs and maintenance	14,716	3,013	33,976	24,896	92,468	5,613	9,587	-	-	184,269
Local transportation	514	5,890	74,711	38,408	258,936	5,921	12,605	-	-	396,985
Travel, conferences, and training	1,102	339	9,642	2,358	10,705	166	2,221	-	-	26,533
Printing and publications	49	299	199	973	1,820	196	1,108	-	-	4,644
Membership dues	-	-	-	-	-	-	2,905	-	-	2,905
Other expenses	10,009	4,211	4,946	13,113	35,056	322	240,111	-	24,766	332,534
Payments to affiliates	-	-	-	-	-	-	-	17,400	-	17,400
Interest	-	-	7,946	-	4,307	-	9,289	-	-	21,542
Depreciation	1,124	141	85,979	4,033	111,959	52	3,354	-	-	206,642
	<u>\$ 560,811</u>	<u>\$ 181,193</u>	<u>\$ 1,341,872</u>	<u>\$ 3,326,549</u>	<u>\$ 2,844,298</u>	<u>\$ 316,645</u>	<u>\$ 991,954</u>	<u>\$ 17,400</u>	<u>\$ 24,766</u>	<u>\$ 9,605,488</u>

See independent auditors' report and accompanying notes to financial statements.

**THE ARC OF GREATER NEW ORLEANS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013**

	Program Services						Supporting Services			
	Children's Services	Employment Services	Individual Options	Project H.E.L.P.	Operations Department	Family Services Coordination	Management and General	Payments to Affiliates	Fundraising	Total
Salaries	\$ 435,361	\$ 134,595	\$ 594,057	\$ 2,675,946	\$ 2,158,888	\$ 152,850	\$ 491,555	\$ -	\$ -	\$ 6,643,252
Benefits	28,649	13,028	65,601	182,206	158,307	14,437	43,030	-	-	505,258
Payroll taxes	36,656	10,209	49,258	227,042	176,144	11,274	37,823	-	-	548,406
Professional services	1,003	11,413	1,842	9,911	44,777	6,256	47,887	-	-	123,089
Supplies	71,143	1,588	6,407	6,027	265,143	110,034	11,021	-	-	471,363
Advertising	-	-	-	-	3,844	-	9,757	-	-	13,601
Telephone	1,697	3,252	9,056	11,470	20,729	2,806	8,926	-	-	57,936
Postage	53	134	121	964	4,417	2,148	4,738	-	-	12,575
Occupancy	29,387	8,856	315,972	112,511	350,436	17,080	46,348	-	-	880,590
Repairs and maintenance	16,985	2,036	36,836	23,232	198,086	5,135	14,893	-	-	297,203
Local transportation	350	6,555	83,674	40,367	353,815	6,211	12,725	-	-	503,697
Travel, conferences, and training	1,796	19	757	2,693	17,860	114	3,867	-	-	27,106
Printing and publications	88	-	358	1,072	5,517	102	968	-	-	8,105
Membership dues	-	-	-	-	-	-	3,308	-	-	3,308
Other expenses	13,477	5,218	8,115	8,944	70,604	336	391,394	-	6,490	504,578
Payments to affiliates	-	-	-	-	-	-	-	17,400	-	17,400
Interest	-	-	10,909	13	-	-	1,039	-	-	11,961
Depreciation	1,124	141	62,924	4,033	150,950	52	4,908	-	-	224,132
	<u>\$ 637,769</u>	<u>\$ 197,044</u>	<u>\$ 1,245,887</u>	<u>\$ 3,306,431</u>	<u>\$ 3,979,517</u>	<u>\$ 328,835</u>	<u>\$ 1,134,187</u>	<u>\$ 17,400</u>	<u>\$ 6,490</u>	<u>\$ 10,853,560</u>

See independent auditors' report and accompanying notes to financial statements.

THE ARC OF GREATER NEW ORLEANS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 42,189	\$ (99,480)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Gain on disposal of equipment	(54,338)	(60,258)
Depreciation	206,642	224,132
Changes in operating assets and liabilities:		
Accounts receivable	65,287	322,278
Prepaid expenses	(30,472)	(3,075)
Other current assets	7,909	(3,455)
Accounts payable and accrued expenses	<u>(102,888)</u>	<u>(77,933)</u>
Net cash provided by operating activities	134,329	302,209
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(540,743)	(127,111)
Proceeds from sale of equipment	<u>54,338</u>	<u>81,536</u>
Net cash used in investing activities	(486,405)	(45,575)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from acquisition of new long-term debt	378,260	-
Principal payments on long-term debt	<u>(150,313)</u>	<u>(58,772)</u>
Net cash provided by (used in) financing activities	<u>227,947</u>	<u>(58,772)</u>
Net (decrease) increase in cash and cash equivalents	(124,129)	197,862
Cash and cash equivalents - Beginning of year	<u>531,563</u>	<u>333,701</u>
Cash and cash equivalents - End of year	<u><u>\$ 407,434</u></u>	<u><u>\$ 531,563</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	<u><u>\$ 21,542</u></u>	<u><u>\$ 11,961</u></u>

See independent auditors' report and accompanying notes to financial statements.

THE ARC OF GREATER NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – The Arc of Greater New Orleans (the Organization) was incorporated in July 1953. The Organization is committed to securing, for all people with intellectual disabilities, the opportunity to develop, function, and live to their fullest potential. Current services include: Children's Services (Early Intervention and Child Care), Family Service Coordination, Employment Services (Rehabilitation Services), Individual Options (formerly Transitional Work Center), Operations Department (Affirmative Businesses/Social Enterprises), and Project H.E.L.P. (Respite/Personal Care and Supported Living). All services are provided throughout a four-parish area (Orleans, Jefferson, Plaquemines, and St. Bernard). The majority of the Organization's revenue is derived from contracts for services with the State of Louisiana, Jefferson Parish, and various private contracts with businesses in the four-parish area.

Basis of Accounting – The Organization prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation – Financial statement presentation follows the guidance of Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

A description of the three net asset categories follows:

- Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of the Organization are included in this category. The Organization has determined that any donation with donor-imposed restrictions for current or developing programs and activities that are generally met within the year the donation was received are record as unrestricted.
- Temporarily restricted net assets include realized gains and losses, investment income, and contributions for which donor-imposed restrictions have not been met. For the years ended June 30, 2014 and 2013, the Organization had \$113,375 and \$0 in temporarily restricted net assets, respectively.
- Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operation in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions. For the years ended June 30, 2014 and 2013, the Organization had no permanently restricted net assets.

Income Taxes – The Organization is a not-for-profit corporation that is exempt from both federal and Louisiana income taxes under Section 501(c)(3) of the Internal Revenue Code and R.S. 12:201 of Louisiana statutes. Management believes there are no uncertain tax positions included in the accompanying financial statements. As of June 30, 2014, the Organization has three years of tax returns

THE ARC OF GREATER NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

open for review by the IRS. Years open include 2012, 2013, and 2014 and are included within the 3 year statute of limitations for IRS review.

Functional Expense Allocation – Functional expenses are allocated among the various program services, management and general, and fundraising categories based on actual use or management’s best estimate.

Contributed Services – Various functions of the Organization are conducted by unpaid officers, board members, and volunteers. The Organization recognizes donated services, if significant in amount, which create or enhance non-financial assets or that require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the years ended June 30, 2014 and 2013, the Organization believes the value of contributed services meeting the requirements for recognition in the financial statements was not material and, therefore, has not recorded an amount for contributed services.

Use of Estimates – The preparation of the Organization’s financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Organization considers all highly liquid instruments purchased with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable – All receivables at June 30, 2014 and 2013, are considered collectible by management; accordingly, an allowance for doubtful accounts is not presented. Balances that are still outstanding after management has used reasonable collection efforts are written off. For the years ended June 30, 2014 and 2013, management did not write off any outstanding receivables. Accounts receivable with balances past due ninety days or more amounted to approximately \$35,328 and \$14,449 as of June 30, 2014 and 2013, respectively.

Property and Equipment – It is the Organization's policy to capitalize property and equipment over \$1,000 with a useful life of more than one year. Lesser amounts and amounts for assets with a life less than a year are expensed. Purchased property and equipment are stated at cost or, if donated, at the fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. The useful lives of buildings and leasehold improvements range from 10 to 31 years; and those of furniture and equipment, and autos, trucks and tractors range from 3 to 10 years.

Restricted and Unrestricted Revenue and Other Support – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are

THE ARC OF GREATER NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Reclassifications – Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation with no effect on the previously reported net assets.

NOTE B – CONCENTRATIONS OF CREDIT RISK

The Organization has concentrated its credit risk by maintaining deposits in banks located within the same geographic region that may, at times, exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2014 and 2013, the Organization exceeded the FDIC insured limit by \$237,886 and \$190,410, respectively. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any credit risk to cash.

NOTE C – COMPENSATED ABSENCES

The Organization's employees receive from eight to seventeen days of annual paid leave upon completion of an introductory period, depending on employee classification. Annual leave vests with the employee; and, therefore, has been accrued up to a maximum accumulated cap of twenty days per employee. Unpaid compensated absences amounted to \$95,422 and \$113,134 for the years ended June 30, 2014 and 2013, respectively, and are included in accounts payable and accrued expenses on the statements of financial position.

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	2014	2013
Land	\$ 175,187	\$ 175,187
Buildings	1,676,790	1,269,407
Leasehold improvements	387,139	387,139
Furniture and equipment	973,995	1,243,309
Autos, trucks, and tractors	571,287	567,644
Construction in progress	129,716	-
Total property and equipment	3,914,114	3,642,686
Less: accumulated depreciation	(2,561,486)	(2,624,159)
Property and equipment, net	<u>\$ 1,352,628</u>	<u>\$ 1,018,527</u>

Depreciation expense was \$206,642 and \$224,132 for the years ended June 30, 2014 and 2013, respectively.

Construction in progress related primarily to the renovation and rehabilitation of a community center and event hall located in St. Bernard Parish.

THE ARC OF GREATER NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE E – LEASES

The Organization has an operating lease agreement with Enterprise FM Trust in which they occasionally lease vehicles. The Organization has various lease agreements that expire at various times through 2016.

The minimum lease payments are as follows for the years ending June 30:

2015	\$ 17,985
2016	<u>4,775</u>
	<u>\$ 22,760</u>

NOTE F – LINE OF CREDIT

The Organization has a line of credit available totaling \$400,000. The unpaid principal balance bears interest at the Prime Rate plus 1.25%, adjusted quarterly, with a floor of 7.25%. Interest payments are due monthly. At June 30, 2014 and 2013, the Organization had not drawn on the line of credit. The line of credit is secured by all inventory, goods, and other items of personal property and receivables.

THE ARC OF GREATER NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE G – LONG-TERM DEBT

The Organization had the following long-term debt for June 30:

	<u>2014</u>	<u>2013</u>
4.00% note payable dated June 26, 2006 and refinanced in December 2008, with a maturity date of April 26, 2020, payable to the U.S. Small Business Administration in monthly installments of \$3,463, including interest, secured by real property.	\$ 215,961	\$ 246,247
6.75% variable note payable, dated June 5, 2008, due June 5, 2028, payable in monthly installments of \$2,427, including interest, secured by real property.	44,532	152,923
8.99% note payable, dated July 9, 2008, payable in monthly installments of \$410, including interest, and matured in August 23, 2013.	-	362
6.84% note payable, dated May 10, 2012, due April 9, 2016, payable in monthly installments of \$542, including interest, secured by a truck.	11,288	16,788
4.95% note payable, dated February 14, 2014, due February 14, 2034, payable in monthly installments of \$2,487, including interest, secured by real property.	<u>372,486</u>	<u>-</u>
Total debt	644,267	416,320
Current maturities of long-term debt	<u>(75,732)</u>	<u>(55,291)</u>
Long-term debt	<u>\$ 568,535</u>	<u>\$ 361,029</u>

Principal payments for future fiscal years are as follows:

2015	\$ 75,732
2016	68,345
2017	47,023
2018	49,066
2019	51,200
Thereafter	<u>352,901</u>
	<u>\$ 644,267</u>

Interest expense on long-term debt for the years ended June 30, 2014 and 2013 was \$21,542 and \$11,961, respectively.

THE ARC OF GREATER NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE H – RENT-FREE USE OF FACILITIES

During 2014 and 2013, the Organization was furnished free use of facilities at four locations from unrelated parties. Consideration for the lease is the mutual benefits, advantages, and conveniences to be derived by the public in the operation of a public education facility. The aggregate fair market value of the use of these facilities is approximately \$40,767 per month. These amounts are recorded as contributions in support and revenues in the statements of activities and changes in net assets and also occupancy expenses in the statements of functional expenses. The fair market value of the rent-free use of facilities amounted to \$489,211 for the years ended June 30, 2014 and 2013. The commitments for the use of these facilities expire at various times through 2030. The Organization has made cumulative improvements to the buildings, which amount to approximately \$387,139 and are depreciating those improvements over the life of the building.

NOTE I – MAJOR SUPPORT

For the years ended June 30, 2014 and 2013, the Organization earned 60% and 51%, respectively, of its support and revenues from Medicaid reimbursement arrangements. Accounts receivable included \$1,008,313 and \$958,533 from this source for the years ended June 30, 2014 and 2013, respectively. As of June 30, 2014 and 2013, Medicaid receivables account for 82% and 74% of total accounts receivable, respectively.

NOTE J – ECONOMIC DEPENDENCY

The Organization receives state funding on a per diem per client/unit basis as well as state and parish grants on a per diem basis. If significant budget cuts are made at the state and/or local levels, the amount of the funds the Organization receives could be reduced significantly and have an adverse impact on its operations. Management believes state budget cuts may occur in the next fiscal year, but is uncertain if the Organization's programs will be affected.

NOTE K – PAYMENTS TO AFFILIATES

The Organization paid \$17,400 to The Arc of the United States and The Arc of Louisiana for the years ended June 30, 2014 and 2013.

NOTE L – RETIREMENT PLAN

Effective July 1, 1999, the Organization adopted a 401(k) retirement plan that covers most of its employees. The Organization matches 50% of employee salary contributions up to 6% of compensation. These matching contributions amounted to \$34,209 and \$35,744 for the years ended June 30, 2014 and 2013, respectively.

NOTE M – CONTINGENCY

The Organization is involved in legal matters and unasserted claims arising in the ordinary course of business. Management and legal counsel are in the process of reviewing and evaluating these actions and

THE ARC OF GREATER NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

possible claims. Management has not established a reserve as the outcome of the litigation is undetermined as of June 30, 2014 and 2013.

NOTE N – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 9, 2014, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



Certified Public Accountants & Consultants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
The Arc of Greater New Orleans
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Arc of Greater New Orleans (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated December 9, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gurtner Zuniga Abney, LLC

December 9, 2014
New Orleans, Louisiana